

**STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES  
NOVEMBER 2010**

Date: December 15, 2010

To: All Civil Service/Exempt Departments

From: State Controller's Office  
Cindy Rounds, Manager  
Debra Spellman, Manager  
Personnel/Payroll Operations  
(916) 324-6290/323-2539

Re: PERSONNEL/PAYROLL REVIEW COMMITTEE NOTES

This recaps the November 04, 2010 Personnel/Payroll Review Committee (PPRC) meeting and provides information for the January 13, 2011 meeting.

We would like to thank those department representatives that participated in the November meeting for their time and effort. There were 31 representatives from 19 departments that participated in this meeting.

Personnel/Payroll Review Committee  
November 04, 2010 Meeting Notes

Debra Spellman called the meeting to order at 1:30.

Departments Represented:

Alcohol and Drug Programs, Consumer Affairs, Corrections, Department of Finance, Developmental Services, Department of Personnel Administration, Food and Agriculture, Franchise Tax Board, Industrial Relations, Justice, Mental Health, Motor Vehicles, Rehabilitation, Secretary of State, State Controller's Office, Statewide Office of Health Planning, Transportation, Unemployment Insurance Appeals Board and Water Resources,.

Old Business:

None.

New Business:

Agenda Items  
Distribute Handout Materials

## Guest Speakers:

Bryan Bruno/DPA  
Benefits Update

I want to introduce the staff I brought with me. You may know some of them; they are Lisa Hatten, Penny Jones, and LaTrice Callaway. Ms. Hatten has taken over my old duties. I am now the program manager. She will be handling all the contract work for vision and dental programs. Penny Jones handles the retiree dental program as well as COBRA open enrollment. If you are unable to reach somebody by phone and you get transferred to her she will be able to get you where you need to go. LaTrice is new to our unit; she comes to us from our executive office. We are very happy to have her; she will be handling the retiree vision program.

Our website is currently being updated. By the first of the year it will include updated Benefit Administrative Manual (BAM) sections. CoBen rates/contribution amounts will be updated along with the CoBen calculator. However, there are no significant changes to CoBen policies. The Flex Elect program has some policy changes related to an IRS change going forward into the next tax year which coincides with the calendar year.

There will be some revisions to the Vision BAM and the Dental BAM to conform to changes in health policy, allowing dependants to stay on an employee plan through age twenty six. All plans will be following suit with CalPERS allowing all dependents to stay on the employee plan through age twenty six. Please note that the IRS allows medical reimbursement claims to be filed through age twenty seven. This may cause some confusion, so I want to reiterate that medical reimbursement claims have slightly different age eligibility rules.

The Vision BAM update is primarily going to be rate adjustments. The vision plan rates will go down for both active employees and retirees. The Dental BAM will have some changes because of the need to conform to the age twenty six ruling. We are also making some adjustments to the permitting event codes. One of these changes is doing away with the age 18 delete code because it is so very rarely used. If your department needs to take someone off an employee's plan they can use the "no longer economic dependent" code because the presumption is made that this is the case going forward and this is more of a conforming move based on federal legislation.

The other thing we are considering changing is the "move out of household" code, because of the way the federal laws are changing. We haven't seen any guidance from the Internal Revenue Service relating to this type of action. However, as the IRS plays a big hand in the way COBRA operates we have a concern about not providing some notice to persons being deleted from plan(s) for this reason.

We also want to get out of the business of trying to guess when an employee takes a spouse off their plan, not giving a reason why. There is anticipation of COBRA qualifying event rules applying. It has been difficult to make determinations with this code because it is not a direct COBRA qualifying event. We are asking departments to ask the employee about this being a permitting event. Departments need to be sure of the reason because if there is something employees are not telling personnel, then it may end up having to be dealt with through personnel getting a court order to put the

spouse back on the employee's plan. This is the kind of thing we want to avoid if possible.

Departments continue to receive court orders to add a spouse back to coverage. We keep seeing more and more of these court orders. We are trying to provide some kind of notice and compel the employee to explain why they are taking the spouse off. It could be that the spouse has left the household with no separation or divorce anticipated. We are interested in your input as far as how this code has been used and how many times you have seen this. Depending on the decision made we may just turn this into an event that requires a COBRA notice to go out.

Flex Elect and CoBen handbooks for 2011 are posted on our website in pdf format so they are downloadable. You can print as many of them as you need from any computer that has access to the DPA website. They are easily saved; you can put them on your desk top for quick reference.

We are getting a lot of questions regarding the use of dependant's social security numbers. CalPERS **does** require them. One reason we do not is that the Twenty First Century Project will be addressing this issue as they roll out. The new payroll system will be able to accommodate all dependant information.

We also get this question a lot; "What documents am I allowed to ask for?"

Below are some of the verification documents you can ask for:

- **Social Security Verification**-a social security card is a requirement for a health benefit enrollment.
- **Birth Certificate**-it is a verification of age.
- **Marriage Certificate**-to verify spouse or domestic partner you may ask for a copy of the marriage certificate or the domestic partnership filing as issued from the Secretary of State.
- **Divorce Decree**-you may verify if an employee has filed for a divorce by asking for a copy of the legal separation paperwork or the divorce decree, as both legal separation and divorce are qualifying COBRA events.

**Question:**

How will the economic affidavits be tracked?

**Answer:**

Currently there is no capacity to track a dependant; this must be done at the department level. I do not know how the Twenty First Century system will operate when it comes to tracking these types of situations. I have not seen anything regarding this so far. Keep in mind if a dependant has been on the plan before there is a presumption that someone has already certified them as an eligible dependant on the plan and you should not have to verify again.

I have a couple comments regarding adding dependants that have not reached age twenty six:

Remember if COBRA terminates for a previously "aged out" dependant, this would be an event to reenroll for "loss of other coverage". If there are issues about employees not getting the age twenty six letters with information on how to add them back, this is grounds for appeal to DPA for dental. We have gotten a lot of calls on this. These are the two things you want to consider because CalPERS is having a rolling enrollment for dependants until the end of the year, but we are not. You have these two event actions that could allow someone to be reenrolled outside of open enrollment.

Allan Fong/DPA  
Savings Plus Update

Savings Plus is still offering our "Lump Sum" training class, the "ARP Overview" class as well as our new class "Overview of Savings Plus". I am in the process of designing a lump sum training class for employees. We decided it would be a good idea to educate employees on the process prior to them submitting paperwork to their human resource offices.

On October 26, 2010 we sent an email for you to give your employees on Lump Sum and Catch up. The email explained this year's contribution limits along with 2011 contribution limits. It also explains about the catch up program. If you have an employee who is considering participating in catch up please let us know as soon as possible. We need to compute the calculations for them so they can get it back over to you. Our lump sum calculator is in the testing phase. We hope to get it out by the end of this month. Nationwide, our third party administrator, is offering the following classes; "Countdown to Retirement", "Asset Allocation" and "Enrolling in Savings Plus". I am passing out a map that tells you what nationwide representative is available for your area. It has the representative's name, telephone number and address and shows what area the representative covers.

If you have had my Lump Sum training class then you should have the Lump Sum Year End Handbook. Please reference this when processing your paperwork. It is also available on the State Controller's website.

[http://www.sco.ca.gov/Files-PPSD/yr\\_end\\_separation\\_hndbk.pdf](http://www.sco.ca.gov/Files-PPSD/yr_end_separation_hndbk.pdf)

**Question:**

We received the email from DPA in October. It had several attachments. On the attachment form to transfer lump sum it states "submit at least five business days prior to last day of separation". We are concerned that employees will read this and be confused when we are telling them we need to know as early as possible when they decide to retire.

**Answer:**

Yes it does say that. We are trying to get that revised. Our management team knows that you guys need thirty days to process the paperwork. That is why we want you to go back to your offices and educate your staff and employees on this process. Let them

know that the earlier they get their paperwork back to you the better off they will be as it will avoid confusion and last minute processing.

**Question:**

Where can I look to see what training classes are available? What is the telephone number for Nationwide?

**Answer:**

You can go to [www.sppforu.com](http://www.sppforu.com) website. You can call Nationwide Call Center at 866-566-4777, press and \*0 and you will be transferred to a live person. Please note that you can also call this number and speak with a specialist to find out if an employee has an open 401K or 457 account prior to lump sum transfer. Do not just transfer the money over, and do not just look on taxi. The employee may not have contributions going into a Savings Plus account this tax year but they may have an open account. You need to call and verify.

**Question:**

If an employee requested to retire/separate November 1, 2010 and defer into two tax years but they pass away on October 28, 2010 what happens?

**Answer:**

Their request to transfer the lump sum is voided. You must key the S95 the day of their death since their original paperwork for retirement/separation is for November 1<sup>st</sup>. They are considered still employed and they are not retired or separated.

Debra Spellman/SCO  
Payroll Update

The final payroll cycle of the 2010 calendar year will be completed the evening of December 28, 2010 and will be dated December 29, 2010. After this date, there will be no means to withhold savings plus for the 2010 calendar year. For retirement with special handling of lump sum cash outs, it is imperative that you review the available payroll cycle dates remaining in the calendar year to ensure that there are sufficient cycles to process the requested action. You will find this information in the Payroll Procedures Manual, Section D200 at <http://www.sco.ca.gov/Files-PPSD/PPM/d.pdf>.

We are requesting your assistance in communicating to your agency's employees the importance of early contact regarding retirement and early submission of appropriate documents to our office so that we can meet the retiring employee's instruction for final pay. We are getting a lot of questions regarding calculations for deferral of lump sum payments. We simply do not have the time to do these calculations for you. Please download the separation handbook at:

[http://www.sco.ca.gov/Files-PPSD/yr\\_end\\_separation\\_hndbk.pdf](http://www.sco.ca.gov/Files-PPSD/yr_end_separation_hndbk.pdf)  
(It gives clear instructions on how to compute the calculations.)

We know that the government code gives employees five days notice to turn in the separation documents but the reality is that it will be really difficult, if not impossible, to

get all documents processed by the end of December without a little more time than that. Please educate your employees and let them know that it is in their best interest to submit the paperwork as soon as possible.

Please fax PARS over as soon as possible. Do not reduce the size; fax them over in two pieces. We will tape them together when we receive them. Please do not call to verify if we received them. If you received a confirmation then we have it, we will work it.

Hopefully you noticed that the payroll calendar changed for November. We changed cut off for semi monthly master to November the ninth. We did not add a green cycle. The last green is still Friday, also the mail transfer date got pushed back a day to the tenth. The calendar is rather compressed for November; I want to make sure you are aware of the changes.

In October we started sending PR250s to agencies that have not keyed Master Payroll Certification. We will do PR250s again in November and December for no MPC. In January we will start returning documents when the action would be accomplished if MPC is keyed. We are making a big effort to streamline our procedures and become more efficient. This is an action we are taking because we have noticed that we receive a significant amount of documents for transactions that could be achieved if agencies would certify their attendance by utilizing MPC. SCO will only key MPC for units that have redeposit(s). If you have redeposits send in the Std. 666 as soon as you can, don't hold on to these as you could be delaying other employees pay. The report used for these PR250s is not generated until the 15<sup>th</sup> or 16<sup>th</sup> of the month. There should be very few reasons you would need to hold a redeposit for this length of time. Also, you do not need to send these types of 250s back telling us that you took the action.

If you send in a document for any action and more than ten days have passed and nothing has processed then call us. We are working most regular 674s within 5-7 days. The last payroll warrant earning statement/direct deposit advice employees received had their address on them; these are the addresses that will be used for W2 statements. You might want to remind your employees to verify their address.

Garnishment Unit: We are receiving a lot of garnishment forms (639CFS) for child support without the court order. For child support garnishments we DO NEED the court order. This is the only one that we need the order with the 639CFS.

Miscellaneous Deductions: It is not necessary to send us United Way forms where no action is to be taken, we do not need them.

Debra Spellman SCO (for Cindy Rounds)  
Payroll Update

If you have employees that you have received an IRS lock letter for, be sure to notify the employee. Some employees are coming back after their deduction status has changed and stating that they were never notified.

Tax exempt letters will be coming out in December for employees that file exempt from tax withholding. If you have employees that file exempt remind them that they will need to file a new EAR form for the upcoming tax year. The new EAR cannot be keyed

sooner than December 31, 2010 and must be keyed no later than February 11, 2011 or the exempt status will go to Single and One. A Payroll letter will be coming out soon to remind you of the dates. If you have employees that defer their lump sum to the next tax year and they want exempt status on the lump sum pay, they will need to file a new EAR form for the new tax year as well.

Disability Unit: If you are certifying disability pay you need to make sure that all time due is entered in item 10 on the 674D for the pay period. This includes the time that may have already issued. If an employee is working while on disability, then item 6 must be completed. Show furlough days in item 6 as well. When certifying shift pay, be sure to show shift rate; shift code and EID correctly.

**Question:**

Do you have any information on US savings bonds?

**Answer:**

The program will be ending, we really have no option. The federal government is not accepting the only method we have in our current payroll system for sending money to purchase bonds. I am hopeful by the end of next week that we will have a letter out that will address this. The last cycle in November will be the end of the deductions for savings bonds.

If you ever have any questions feel free to contact Cindy Rounds or myself. We will be happy to help you out.

Listed below are the PPRC meeting dates for the 2011 calendar year. All meetings are from 1:30 to 3:00 at the above location.

**Please note: All meetings for 2011 will be the second Thursday of the specific month with the exception of November 2011 due to the Veteran's Day holiday.**

January 13, 2011  
March 10, 2011  
May 12, 2011  
July 14, 2011  
September 8, 2011  
November 10, 2011

Should you have any questions regarding the PPRC meeting or have additional information to provide, please contact either Cindy Rounds at (916) 445-6983, [crounds@sco.ca.gov](mailto:crounds@sco.ca.gov); or Debra Spellman at (916) 323-2539 or [dspellman@sco.ca.gov](mailto:dspellman@sco.ca.gov).